WorkFirst Reexamination Workgroup

Focus Area Briefing Paper

Issue: TANF grant caseload and its relationship to the economy

Goal: N/A

Description: It is commonly asserted that the public assistance caseload has a relationship to the economy: as the economy worsens, the caseload would be expected to increase, and when the economy improves, the caseload would correspondingly decline. If the Washington economy is improving, can we assume savings would result from a declining caseload?

Cost: Currently, the TANF grant caseload is projected to cost $289.5m for FY06 (including Additional Requirements for Emergent Needs, ARENs). For perspective: if one assumed a general caseload drop of 5%, the impact would be $14.5m in savings.

Background: The current TANF forecast methodology reflects seasonal caseload fluctuations. The methodology assumes entry and exit rates for each month correspond to the rate for the same month in the previous year.

The caseload forecast (the one on which the spending plan is based) was developed in August 2004. The June 2005 caseload was 0.3% (176 cases) above that projection. On average for FY05 the caseload has been tracking 1.1% above the forecast.

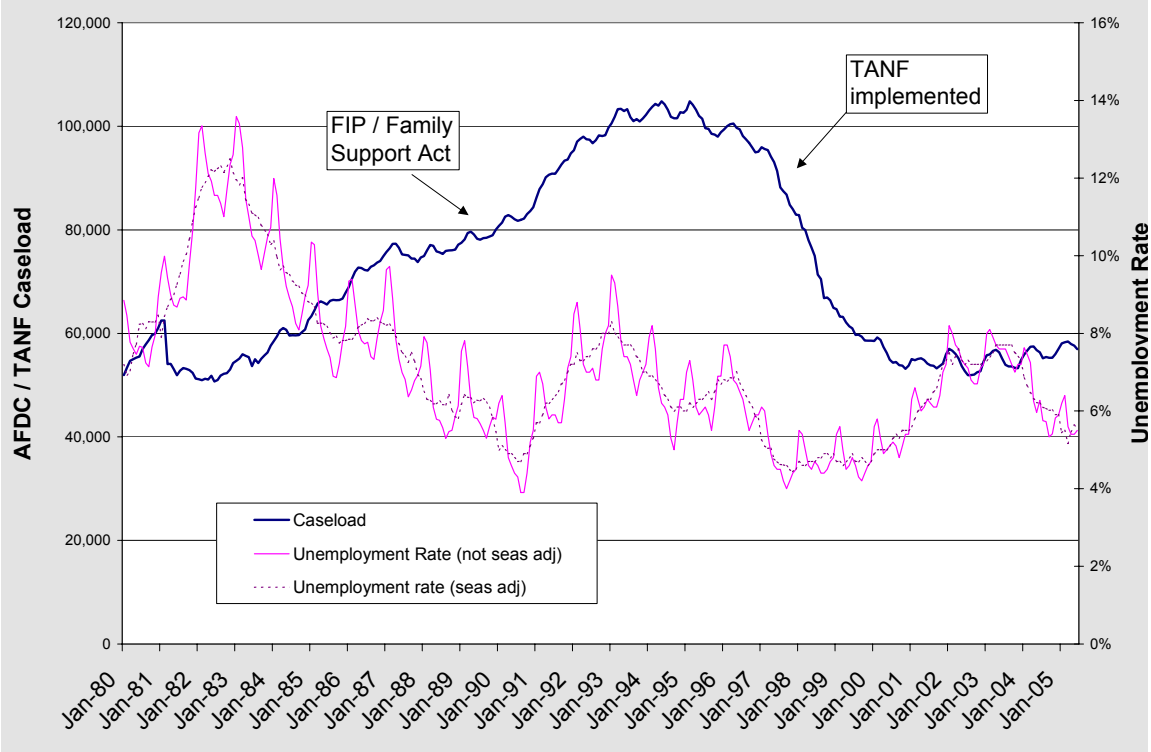
Research results:

- The National Conference of State Legislatures reports that "Despite the economic downturn, there does not appear to be a national link between unemployment and welfare caseloads. NCSL examined state caseload and unemployment trends and although one would expect caseloads to increase as unemployment increases, no such link has been found consistently across the states." *http://www.ncsl.org/statefed/welfare/caseloadwatch.htm*

- Research done in the 1990s suggested that for every 1% increase in unemployment that a 3-5% increase in caseload might ensue. Rebecca Blank, an economist who researches low-income families and poverty programs, noted in 2001 "that a serious recession that raises the unemployment rate from 4 percent to 7 percent could result in as much as a 30 to 50 percent increase in TANF caseloads." *http://www.brookings.edu/es/research/projects/wrb/publications/pb/pb07.htm* Evidence from the last several years clearly refutes these predictions.

- In Washington State: between July 1999 and July 2001, unemployment rose 1.6 points to 6.3% while the TANF caseload declined nearly 6,000. Between July 2001 and July 2003, the unemployment rate increased from 6.3% to 7.7% and yet the caseload remained almost unchanged.

- The graph below shows Washington's AFDC / TANF caseloads charted with the state's unemployment rate over the last 25 years. In recent months one can observe the seasonality exhibited by both; the unemployment rate and caseload tend to increase in the winter and decline again over the summer months. However one can also observe several periods where the caseload and unemployment rate were moving in *opposite* directions (notably 1982 – 1990 or even over the last 24 months).



- This does not necessarily mean that the unemployment rate and the economy are not drivers in the TANF caseload. However, other factors (such as policy and program management) may be stronger influences and an undetermined lag period (between changes in the economy and the TANF caseload) confounds the analysis.

Benefits:

Risks or unintended consequences:

Implementation issues: N/A

Critical success factors: N/A